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610-832-3611

October 29, 2015

Mr. James P. Erb, CPA
Auditor-Controller
Treasurer-Tax Collector-Public Administrator
County of San Luis Obispo
1055 Monterey Street
Room D-290
San Luis Obispo, CA 93408

RE: Fiscal and Procurement Review Final Report

Dear Mr. Erb;

Please accept the attached as Henkels & McCoy Training Services response to your September 29, 2015 letter regarding your review of Henkels & McCoy's grant financial management and procurement systems for Program Years 2013-2014 & 2014-2015.

We are acutely aware of the need and requirements of having standards that document internal controls and all transactions and other significant events. We, Henkels & McCoy, as a large private sector employer and a substantial tax payer deeply appreciate your review.

We pride ourselves in operating all of our programs under the fiscal approach of determining all associated costs are: Prudent, Allowable and Necessary, and this approach assures us of being good financial stewards of the dollars awarded to us.

We thank you for the time invested during the monitoring review and appreciate your assistance and guidance in helping us to continually improve our level of services to the County of San Luis Obispo.

If you or anyone in your office have any questions or require additional information, feel free to call me directly at your convenience. My direct line is 610-832-3611

Sincerely,

Frederick P. Sutliff, Jr
Director
Henkels & McCoy Training Services

**County of San Luis Obispo
Fiscal and Procurement Review
Final Monitoring Report
Program Years 2013-14 & 2014-15**

FINDING 1: Timesheets

Requirement:	The standards for internal control in the federal government require management to clearly document internal controls and all transactions and other significant events. Additionally, transactions must be authorized and executed by a person acting within the scope of their authority.
Observation:	Of the twenty (20) timecards tested, eight (8) were not signed by the employee's supervisor, and two were not signed by the employee.
Cause:	Staff neglected to review and approve timecards.
Effect:	When time cards are not reviewed by supervisors the risk for payroll error and fraud increases.
Recommendation:	We recommend that all timecards be signed by the employee and reviewed and signed by the employee's supervisor.
H&M Response:	In response to the timesheets not being signed by the employee or supervisor, H&M staff is taking a proactive approach to ensure each timesheet is reviewed by the supervisor and signed by the employee. Additionally, we have added an electronic reminder for each batch of timesheets submitted to minimize potential omissions.

FINDING 2: Expense Reports

County of San Luis Obispo:

Requirement:	The standards for internal control in the federal government require management to clearly document internal controls and all transactions and other significant events. Additionally, transactions must be authorized and executed by a person acting within the scope of their authority.
Observation:	Four (4) of the eleven (11) expense reports tested were not signed by the employee or supervisor.
Cause:	Expense reports were not signed due to oversight by staff.
Effect:	Expense reports that are not signed or approved increase the risk of misappropriation of funds.

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Recommendation: We recommend that all expense reports be signed by both the employee incurring supervisor approving the expense.

H&M Response: In response to expense reports not being signed by the employee or supervisor, H&M management has reviewed the expense report processes with staff and reminded all staff to sign expense reports documents. We have also added an electronic reminder for each batch submitted to minimize errors and potential omission. If expense sheets are not signed they will not be processed for payment.

FINDING 3: Price Quotes

Requirement: 29 CFR 97.36 (d) - if small purchase procurements are used, price or rate quotations will be obtained from an adequate number of qualified sources.

Observation: One of the two small purchase procurements tested was not properly sourced for multiple vendors or price quotes.

Cause: Henkels & McCoy, Inc. does not obtain price quotes from multiple vendors for small amounts as a standard practice.

Effect: When small purchase procurement regulations are not followed the risk of fraud and inappropriate purchases increases.

Recommendation: We recommend that all price quotes be obtained and documented from multiple vendors for all purchases made using the small purchase procurement method.

H&M Response: For 29 CFR 97.36 (d) "*Methods of procurement to be followed.* (1) Procurement by *small purchase procedures.* Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than \$25,000 in the aggregate. If small purchase procurements are used, price or rate quotations will be obtained from an adequate number of qualified sources."

Microsoft Office 365 (\$99.00) was purchased directly from Microsoft, the company owner/developer of the product, which makes it is a credible source to ensure we are not purchasing pirated software. Our organization, on a corporate level performs product pricing annually on goods and services to ensure we are getting the lowest price as well as the service and delivery needs of the company as a whole. This process allows field offices to spend more time on quality service delivery and contract goal attainment. Locally, management has instituted a "price quote" process for items not covered under space costs or ordinary costs like office supplies. We are cognizant of being good stewards of Federal, State or County funds, we are always prudent with our purchases, ensuring they are allowable as well as necessary for us to carry out the quality program we proposed to provide.

To assist H&M in meeting the purchasing requirements of the County, we would like to request a copy of the small purchase procurement policy.

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